



PERSpectives



July 2004

Public Employee Retirement System of Idaho

Survey shows that Social Security option can be a valuable retirement option for those who understand it and make it work to their advantage

At retirement, PERSI members have six benefit payment options to select from. One of them, Option 3, the Social Security Adjustment Option, provides an increased benefit from PERSI until the retiree reaches Social Security Retirement Age, and then a reduced amount thereafter. Option 3 is payable for the member's lifetime only. This option is advantageous because it provides the largest income until Social Security Retirement Age. It is disadvantageous because at Social Security Retirement Age, the PERSI benefit drops, often significantly. It could even drop to zero.

All too often we have heard from Option 3 retirees who reached Social Security Retirement Age and were upset because they had forgotten that their PERSI benefit would drop. From repeatedly hearing these comments over the years, our perceptions of this option were that, for many who selected it, it was detrimental.

To see if these perceptions were accurate, we decided to survey our retirees who had selected Retirement Option 3, Social Security Adjustment, as their retirement option.

With this survey we wanted to determine:

- Did retirees feel they understood the option at time of retirement?
- Why did they choose this option?
- At Social Security retirement age, when their PERSI payment changed, did they remember this was going to occur?
- Did the option work out as anticipated?
- Would they recommend the Social Security option to others?

In the fall of 2003, we sent a survey to every Option 3 retiree between the ages of 67 and 80.

Some 790 surveys were distributed. We received 509 completed surveys back for a response rate of 64.5%.

The responses were somewhat surprising. Some of the highlights include:

- 80% of retirees said the arrangement worked out as expected.
- 68% said they would select the same option again.
- 70% replied that at time of retirement they felt they fully understood their payment would be reduced.
- 91% said that when they turned Social Security Retirement Age they remembered their PERSI amount was going to be reduced.
- 68% selected the option because they needed the higher amount earlier to be able to retire when they wanted to.

These results contradicted our preconceived ideas about the extent of the negative experiences of Option 3 retirees. For the most part, the option has worked out as expected for those who selected it. The majority of those on Option 3 would select it again. It seems that those who were negatively affected by the drop in benefit were simply more vocal than those who were pleased with the outcome. This coincides with the general tenet of customer satisfaction that you are far more likely to hear from dissatisfied customers than satisfied ones.

While it is good to see that more retirees than expected are content with Option 3, we at PERSI do what we can to ensure that no retirees have negative experiences due to selecting that option. Because a large number of retirees do not choose to receive retirement counseling when selecting an

See "Social Security option survey" on page 3

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What are IEA-R and NEA-R?

IEA-R and NEA-R are current and former Idaho Education Association and National Education Association members who have banded together to work for improvements in retirement benefits, and to stay actively involved in improving public education.

IEA-R/NEA-R members are affected by the rising cost of health care, threats to state retirement, Social Security and Medicare, increasing prices, and tax changes.

They know that membership in a vital, dynamic organization is crucial to advancing their concerns and continuing their involvement in the political debates that shape educational and social policy.

You receive all these benefits and more when you belong to IEA-R/NEA-R:

- NEA MasterCard/VISA with no annual fee
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 - Auto and homeowners' insurance
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- IEA ACCESS Card:
 - Travel and entertainment discounts
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- NEA Liability Insurance: \$1 million liability insurance coverage when volunteering or substituting in a classroom

Stay involved:

- IEA-R and NEA-R work to provide affordable health care protection without new taxes.
- Opportunity to help elect friends of public education exists.
- Representation is provided on the IEA Board of Directors and all IEA committees and task forces.
- Retired members are eligible to be delegates to the IEA Delegate Assembly and the NEA Representative Assembly.
- IEA-R and IEA are working to improve retirement benefits.
- IEA-R and NEA-R members have the opportunity to be involved in mentoring programs for new teachers and prospective teachers.

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R E T I R E E

The logo for PERSpectives, featuring the word 'PERSpectives' in a bold, sans-serif font with a stylized diamond shape on either side. Below it, the text 'Public Employee Retirement System of Idaho' is written in a smaller font.

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Social Security option survey

continued from page 1

option, there will always be those who are dissatisfied by their Option 3 benefit drop. Retirees who work with a Member Service Rep, can help ensure they will be among the ones who are happy and content with the option they select.

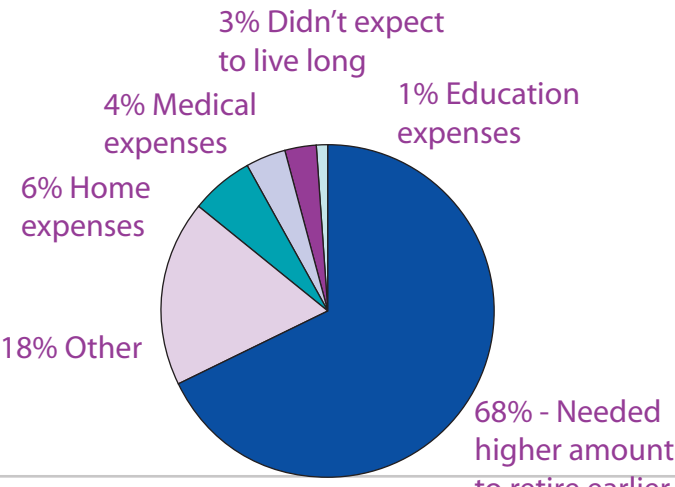
PERSI now requires more specific Social Security quotes which allows us to provide more accurate benefit estimates. Our communications tools have improved over the last decade in that our information has more “warnings” about the possible negative consequences of the option, and this information is available from different sources (Web, handbook). Members also receive a letter prior to their Social Security Retirement Age reminding them that their benefit will change.

Retirement Option 3 can be a valuable choice for those retirees who understand it and can make it work to their advantage.

Social Security Option 3 Survey Results

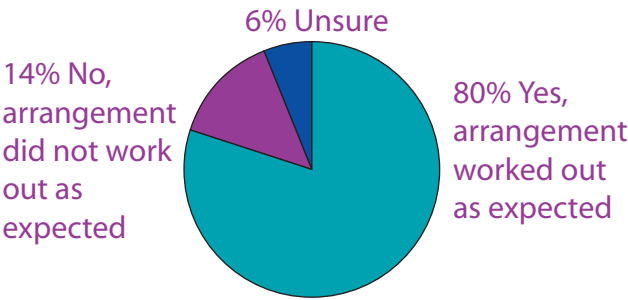
Q: At your time of retirement, you selected the PERSI Social Security Adjustment option for your retirement payments. This paid you a higher amount until your Social Security Normal Retirement Age (SSNRA) (65 - 67) and then a reduced PERSI amount after your SSNRA. Was there a reason you wanted more money earlier?

- 68% said they needed the higher amount earlier to be able to retire on the date they wanted
- 18% selected other
- 6% said home expenses
- 4% said medical expenses
- 3% said they didn’t expect to live long
- 1% said education



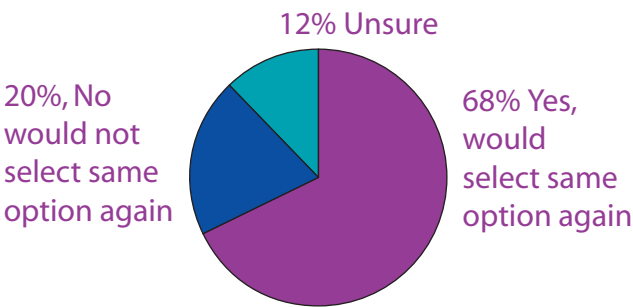
Question 2: Did the arrangement work out for you as you expected?

- 80% of retirees said yes, the arrangement worked out as expected
- 14% said no, it did not work out as expected
- 6% were unsure



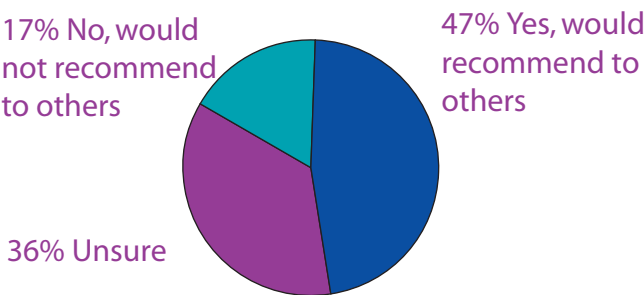
Q: Would you select the same option again?

- 68% said yes, they would select the same option again
- 20% said no, they would not select the same option again
- 12% were unsure



Q: Would you recommend this option to others?

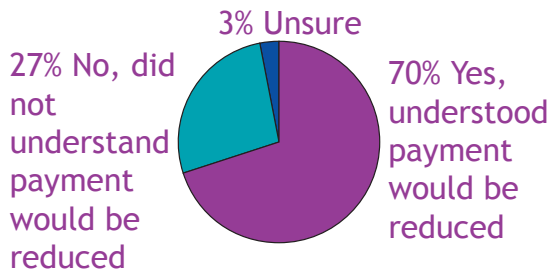
- 47% said yes, they would recommend this option to others
- 17% said no, they would not recommend this option to others
- 36% were unsure



Social Security option survey continued from page 3

Q: At time of retirement, do you think you fully understood the amount that your PERSI payment would later be reduced?

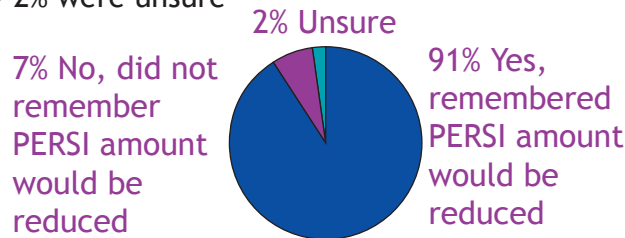
- 70% replied yes, they fully understood their payment would be reduced
- 27% replied no, they did not fully understand their payment would be reduced
- 3% were unsure



Q: When you turned Social Security Normal Retirement Age, did you remember that your PERSI amount was going to be reduced?

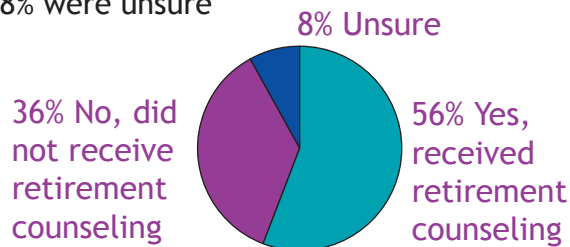
- 91% said yes, they remembered their PERSI amount was going to be reduced

- 7% said no, they did not remember their PERSI amount would be reduced
- 2% were unsure



Q: At time of retirement, did you receive retirement counseling from a PERSI Rep?

- 56% said yes, they had received counseling from a PERSI Representative
- 36% said no, they had not received counseling
- 8% were unsure



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